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SECURITY INFORMATION
CENTRAL INTELLIGENCE AGENCY

REPORT NO. [REDACTED]

INFORMATION REPORT

CD NO.

COUNTRY Yugoslavia/France

DATE DISTR. 14 Jan 1952

SUBJECT Current Situation Regarding Yugoslav
Orders of Military Equipment in France

NO. OF PAGES 2

PLACE
ACQUIRED [REDACTED]

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NO. OF ENCLS.
(LISTED BELOW)

DATE OF
INFO. [REDACTED]

SUPPLEMENT TO
REPORT NO.

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1. There has been a slowdown followed by a complete drop in French deliveries of military equipment to Yugoslavia, since March 1951. It is reported that the factor largely responsible for this drop lies within the realm of the factory committees in France (comites d'entreprise). These committees appear to have a great influence on the industrial market and also great political power where industry is nationalized, and these powers are frequently in the hands of the French Communist Party.
2. A law passed by French Communists after the liberation of France provided that all industries or concerns employing more than fifty people must have a factory committee composed of employees or workers and of members of the management. In support of the Soviet Union, the factory committees have prevented the financing of French-Yugoslav armament negotiations by the major nationalized banks.
3. When the Yugoslav Government placed an order with the Hispano-Suiza firm for 20-mm. cannons¹, the Credit Lyonnais (the chief transacting agent for Hispano-Suiza) under various pretexts, refused to finance the transaction. Excuses were proffered, such as lack of credit, large-scale negotiations for Israel, et cetera. When the management of the Credit Lyonnais attempted in September 1951 to obtain the necessary backing from other banks, it was not successful. The factory committee of the Credit Lyonnais had reportedly alerted the factory committees of the other banks. The banks could offer no logical explanation for their failure. The international agreement, 90 per cent of which was guaranteed by the French Government through the State Credit Office, was not being implemented.²
4. Similar to the case of Yugoslav orders for cannons, credit was likewise refused for the purchase of the license for production in Yugoslavia of small turbo-jets from the Turbomeca factory at Bordes.³ No reason was given for the refusal. Eighteen months have elapsed since the contract was signed, and no action has been taken.

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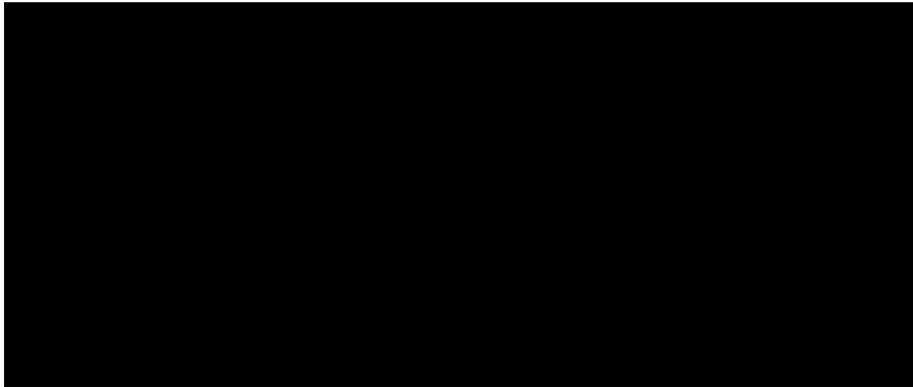
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2.

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